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DE RUEHBK #1901/01 2171022
ZNR UUUUU ZZH
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FM AMEMBASSY BANGKOK
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7775
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS PRIORITY
RUEHCHI/AMCONSUL CHIANG MAQ PRIORITY 6830
RUEAIIA/CIA WASHINGTON DC PRIORITY
RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY
RUEKDIA/DIA WASHINGTON DC PRIORITY
RHEHNSC/NSC WASHINGTON DC PRIORITY

UNCLAS SECTION 01 OF 04 BANGKOK 001901

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E.O. 12958: N/A
TAGS: [PREL](#) [PGOV](#) [MARR](#) [MOPS](#) [PINS](#) [TH](#)
SUBJECT: THAILAND SCENESETTER FOR SENATOR WEBB'S VISIT

BANGKOK 00001901 001.2 OF 004

¶1. (SBU) Senator Webb, Embassy Bangkok looks forward to welcoming you back to Thailand. Your visit will afford a chance to express the United States' commitment for Thailand's democracy in meeting its current challenges and emerging strengthened, as well as to engage Thai officials and others on the U.S. foreign policy agenda in Asia, particularly challenges like Burma and North Korea. It is also an opportunity to underscore our appreciation for the long-standing bilateral relationship, which has facilitated shared benefits in the fields of security, law enforcement, and intelligence efforts, as well as groundbreaking health/research collaboration and long-standing refugee support.

CALM IN THE KINGDOM, BUT FOR HOW LONG?

¶2. (SBU) Nearly eight months after your last visit, which came in the immediate wake of the late 2008 airport takeover and change in government, the political scene on the surface has calmed considerably, but it is likely the calm of the eye of a still churning storm. Thailand remains deeply divided, politically and socially, and struggles to break free of an inward focus. The traditional elite, urban middle class and the mid-south are on largely one side (Democrat in parliament, "yellow" in the street) and the political allies of Thaksin, with largely rural supporters in the North and Northeast on the other (opposition Puea Thai in parliament, "red" in the street).

¶3. (SBU) Prime Minister Abhisit Vejjajiva is a photogenic, eloquent 44-year old Oxford graduate who generally has progressive instincts about basic freedoms, social inequities, policy towards Burma, and how to address the troubled deep South, afflicted by a grinding ethno-nationalist Muslim-Malay separatist insurgency. Whether Abhisit can deliver on change is another matter. Although he has performed well, holding his government together and restoring stability in the face of significant political pressure is a persistent challenge. He is beset with a fractious coalition, as well as a resurgent post-2006 coup military. His Foreign Minister Kasit Piromya is a capable strategic thinker, but Kasit is controversial due to his 2008 affiliation with the yellow-shirt People's Alliance for Democracy (PAD) movement. Kasit recently had to answer a court summons regarding the 2008 PAD takeover of Bangkok's airports, leading to calls that he step down.

¶4. (SBU) Since your last visit, the most dramatic political development was the mid-April red-shirt riots in Bangkok and

Pattaya. The United Front for Democracy against Dictatorship (UDD), disrupted a regional Asian Summit and burned busses in Bangkok, leading to two deaths, after ex-PM Thaksin, now a fugitive abroad in the wake of an abuse of power conviction, called for a revolution to bring him home. The opposition Puea Thai Party and red-shirt movement will continue to seek to drive Abhisit from office, call for changes to the constitution which ban Thaksin's cronies from participating in politics, and demand the amnesty for the former Prime Minister, who was convicted in a 2008 abuse of power case. The latest red-shirt move is to appeal to the King for a pardon for Thaksin, a not so subtle effort to drag a monarchy which is supposed to be above politics into the political fray; after several months of quiet after the April riots, the red-shirts have resumed weekly rallies. The PAD yellow-shirt movement has indicated it will oppose all of these UDD initiatives.

15. (SBU) Both major parties in Thai politics are favorable towards the U.S.; in fact, there are no radical, non-middle of the road parties represented in the Thai parliament. On the street, while both yellow and red try to lay exclusive claim to the mantle of democracy, neither side of this split is as democratic as it claims to be. Both movements reflect deep social concerns stemming from widespread perceptions of a lack of social and economic justice in Thailand, but both seek to triumph in competing for traditional Thai hierarchical power relationships. New elections would not appear to be a viable solution to political divide, and political discord could very well persist for years. We continue to stress to Thai interlocutors the need for all parties to avoid violence and respect democratic norms within the framework of the constitution Qd rule of law, as well as our support for long-time friend Thailand to work through its

BANGKOK 00001901 002.2 OF 004

current difficulties and emerge as a more participatory democracy.

16. (SBU) Linked to the political uncertainty in Bangkok is the RTG's inability to resolve an ethno-nationalist Malay Muslim insurgency in southern Thailand which has claimed an estimated 3,500 lives since 2004. The fundamental issues of justice and ethnic identity driving the violence are not unique to southern Thailand, and ending the insurgency will require the government to deal with these issues on a national level - which the on-going political instability in Bangkok has, to this point, prevented. In the mean time, the insurgents use IEDs, assassinations, and beheadings to challenge the control of the Thai state in the deep South. The government has responded through special security laws which give security forces expanded power to search and detain people.

17. (SBU) Underlying the political tension in Bangkok is the future of the monarchy. On the throne for 62 years, the U.S.-born King Bhumibol is Thailand's most prestigious figure, with influence far beyond his constitutional mandate. Many actors are jockeying for position to shape the expected transition period Thailand during royal succession after the eventual passing of the King, who is currently in poor health and rarely seen in public anymore.

THAI FOREIGN POLICY -----

18. (SBU) If there is one area of policy difference between Thai political parties affecting U.S. interests, it may well be certain elements of foreign policy. PM Abhisit and FM Kasit have stated that Thailand's foreign policy should reflect that it is a democracy, rather than being reduced to mere commercial interests of cabinet members, as they claim pro-Thaksin governments did.

19. (SBU) Thailand's Burma policy has shifted noticeably since Abhisit/Kasit came to office last December. Abhisit and

Kasit met with Burmese activists, exiles, and 1990 MPs elect in March on the margins of an ASEAN summit, the first such engagement since 2000, pre-Thaksin. As the Chair of ASEAN, Thailand released a May 18 ASEAN Chairman's Statement reminding the Burmese regime that ASEAN Leaders have called for the immediate release of Aung San Suu Kyi (ASSK) and that Thailand, as the ASEAN Chair, was gravely concerned about recent developments relating to ASSK. The ASEAN and ASEAN Regional Forum (ARF) Ministerial statements issued in Phuket by Kasit in late July adopted a similar tone.

¶10. (SBU) Border tensions with Burma have increased since June as approximately 3,000 Karen have entered Thailand. The refugee influx resulted from a Burmese Army and Democratic Karen Buddhist Army offensive against the Karen National Union. FM Kasit has directed the MFA to work closely with NGOs to address the refugees' needs while in Thailand and to ensure they return home voluntarily.

¶11. (SBU) Relations with Cambodia continue to be volatile, primarily due to a border dispute centered on 4.6 square kilometers of overlapping territorial claims adjacent to the Preah Vihear temple. While Thailand and France in 1904-8 agreed in principle on the Thai-Cambodian border, ownership of Preah Vihear was not decided until 1962 when the International Court of Justice ruled in favor of Cambodia. Tensions spiked in mid-2008 when the pro-Thaksin Thai government in power at that time supported Cambodia's application to UNESCO for the unilateral listing of the temple as a world heritage site. The decision was seized by the opposition in order to attack the government. Periodic clashes between the two sides' militaries since then have resulted in the deaths of at least seven Thai soldiers. We continue to stress to the Thai interlocutors that the dispute should be resolved peacefully and bilaterally.

¶12. (SBU) The rise of China, and the perceived absence of a focused U.S. presence in the region in recent years, is another strategic issue of concern to Thailand and the region. Thailand does not seek to choose between the U.S. and China, rather preferring to have good relations with both and hoping the U.S. strengthens engagement in the region. There was universal praise for Secretary Clinton's ARF-related visit to Thailand in late July, including U.S.

BANGKOK 00001901 003.2 OF 004

accession to the Southeast Asian Treaty of Amity and Cooperation (TAC) and the holding of a U.S.-Lower Mekong Ministerial that underscored Secretary Clinton's comment that: "The U.S. is back in Asia." That said, Thailand continues to develop closer relations with China. The Thai military employs a range of Chinese weapons systems, and Thai and Chinese special forces have in recent years conducted joint exercises.

ENDURING, PRODUCTIVE BILATERAL ALLIANCE

¶13. (SBU) As one of five U.S. treaty allies in Asia and straddling a major force projection air/sea corridor, Thailand is crucial to U.S. security interests well beyond Southeast Asia. Our bilateral military relationship provides distinctive force projection opportunities from Thai military facilities amid vital sea and air lanes that support combat and humanitarian assistance missions, and the opportunity to conduct live fire training exercises, both bilateral and multilateral, that are impossible to match elsewhere in Asia. The COBRA GOLD exercise is PACOM's largest exercise. The event has evolved to facilitate important objectives such as a greater role in the Asian Pacific region for Japan and Singapore and re-establishing a partnership with Indonesia. We access the Utapao Naval Air Field alone a 1000 times a year. The base was a key for air-bridge operations to Iraq and for combat operations in Afghanistan. Preserving such unfettered, unquestioned access requires engagement and remains a mission and USG priority. Thailand has performed

well on international peacekeeping missions, particularly in leading UN forces in East Timor, to which Thailand contributed 1,500 troops. The RTG is currently preparing to deploy a battalion of peacekeepers for Darfur.

¶14. (SBU) The U.S. and Thailand have extensive cooperation in medical research. Approximately 400 Mission staff work on health issues, making the Embassy one of the USG's largest efforts to fight the world's most dangerous diseases: malaria; TB; dengue; HIV/AIDS; and pandemic influenza. CDC, USAID, USDA/APHIS, and the Armed Forces Research Institute of Medical Sciences (AFRIMS) closely collaborate with Thai counterparts on basic research and trial vaccines. The sophistication of the Thai scientific and public health community makes collaboration as useful to the USG as it is to the Thai. A number of important breakthroughs, such as in the prevention of HIV/AIDS transmission from mothers to children, were developed here, and several phase III, double blind trials for potential HIV vaccines are currently ongoing.

¶15. (SBU) Forty years of law enforcement cooperation initially focused on counter-narcotics efforts has expanded to all aspects of transnational crime, defending U.S. interests and securing extraditions of both U.S. citizens and third country nationals, and building capacity in the Thai criminal justice system. Eighteen federal and local law enforcement agencies are currently represented in the Embassy. The U.S. and Thailand co-host the International Law Enforcement Academy, a regional platform to promote law enforcement professionalism. The extradition case of Russian arms trafficker Viktor Bout, wanted in New York on charges of conspiring to provide arms to terrorists, is our current law enforcement top priority. The court decision is expected August 11, your first day in Thailand.

¶16. (SBU) On refugees, Thailand continues to host more than 114,000 registered Burmese refugees and has allowed the resettlement of nearly 10,000 refugees to the U.S. this fiscal year, for which we are grateful. We continue to push for greater self-sufficiency activities to end the "warehousing" of refugees unwilling or unable to resettle abroad. About 4,000 Burmese refugees crossed into Thailand in June in response to an offensive by government-allied militia groups. Thailand has provided temporary protection to this latest influx, comprised mostly of women and children. A group of 5,000 Lao Hmong is also of concern. 158 UNHCR-recognized refugees have been confined in an immigration jail for 2.5 years. Another 4,700 are in an army-run camp in Phetchabun. The RTG and Government of Laos have insisted the issue will be handled bilaterally, although the RTG recently assured the United States that none will be forcibly returned to Laos. We have also been invited for the first time to discuss the issue in a trilateral format on August 7 at the Phetchabun.

BANGKOK 00001901 004.2 OF 004

THAI ECONOMY CONTINUES TO STRUGGLE

¶17. (SBU) The United States and Thailand have long enjoyed a robust trade relationship; annual bilateral trade has been over \$32 billion in recent years. Cumulative U.S. investment over the past twenty plus years is estimated at \$23 billion. There is a large American Chamber of Commerce with some 650 members; you will have an opportunity to address the AMCHAM membership at lunch on August 17. While U.S. direct investment is down this year largely due to the global economic crisis, many U.S. firms receive preferred national treatment in a number of sectors under the bilateral Treaty of Amity and Economic Relations, the bedrock of our economic relationship since 1966. A number of large U.S. investments in petrochemicals, computer parts, and automobiles use Thailand as an export manufacturing base for the region. Thai officials still need to do more to strengthen the overall investment climate, particularly on customs reform

and intellectual property rights enforcement.

¶18. (SBU) The global economic crisis hit Thailand's export-driven economy particularly hard over the last year. Exports, historically the bright spot of the Thai economy, declined 23.5 percent over the first six months of this year when compared to the same period last year (with exports to the U.S. declining 27.1 percent). The tourism industry, another longtime economic growth generator, has experienced a serious decline in the number of tourist arrivals for the past 10 months; tourist arrivals in June alone fell 18.6 percent year-on-year. With the lessons of the 1997 financial crisis under its belt, the banking sector remains sound due to strong regulation and minimal exposure to risky or toxic assets. The economy went into official recession with a 7.1 percent drop in GDP the first quarter of this year. Forecasts show a three to five percent GDP contraction for all of 2009. If global trade activity remains depressed, Thailand's export-dependent economy likely will continue to suffer significant losses this year.

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